

Tax & Benefit Reform

Simon Duffy¹

Lessons from Self-Directed Support

Social care rarely receives the attention given to other parts of the welfare state, and it may be for this very reason that, ever so quietly, a revolutionary new system has been able to slowly emerge. This system is called Self-Directed Support and it means:²

- You are given a cash entitlement - your Individual Budget
- You can spend that budget flexibly - as long as you meet the agreed outcomes
- You can control the budget and change your mind if you see a better way of spending it

This is a radical departure from the old system of social care, where people do not know what they are entitled to, have no control over their budget and where choice is limited or non-existent. Moreover these early reforms have led to significant improvements in outcomes and efficiency; today many local authorities have embarked on redesigning their systems and these reforms are now at the heart of government policy.³

But while these innovations are exciting and positive they are poorly understood (both within and without government) and their implications for the whole welfare state have yet to be explored.⁴ Often they are treated as 'market reforms', but this is to radically misunderstand the basis of their success. Instead, at the heart of these reforms is a commitment to giving ordinary citizens real power and, as I will argue here, the underlying methodology of Self-Directed Support is one that could be used to progressively redesign the whole welfare state:

1. To integrate social care funding
2. To extend Individual Budgets into other services
3. To integrate benefits into one system
4. To integrate tax and means-testing

Within the confines of this essay it will not be possible to do to justice to all the complexities and questions that these possibilities raise. However I hope, by throwing more light on the real nature of Self-Directed Support, to show that there are many more unexplored paths for reform than have yet been considered.

Inside Individual Budgets

It is possible that the old ideological debates over markets, taxes and consumerism have made it very difficult for us to understand what is powerful and radical about an innovation like Individual Budgets. The natural tendency is to picture these reforms as just one more attempt to bring the benefits of increased market efficiency into the welfare state. But this is a mistake.

An Individual Budget is not a cash transfer (although it may lead to one) rather it is an up-front, transparent, funding allocation, and all the early data suggests that is this 'up-front transparency', rather than any subsequent market impact, which has been the key to its

success.⁵ For when you tell someone that they are entitled to a budget which can be used flexibly then:

- Many people target that funding more effectively by only purchasing services that really meet their needs - rather than using everything that they are ‘given’ just in case all of it is taken away.
- Many people pull in additional support from friends, family and their community - no longer worrying that any such additional support will lead to their budget being cut.⁶
- Some people identify new and innovative forms of support - no longer restricted to the narrow menu of services on offer.

In other words the efficiency of Individual Budgets lies primarily in the way it enables the individual to be an effective citizen, taking responsibility for their own life and integrating support into the framework of their own personal and community resources. But in the old system no up-front allocation is possible because the allocation only takes place after an extended process of assessment, care planning and service identification. This process then leads to the ‘placement’ of the individual in a service - a term that tells its own story. This elaborate process naturally leaves the final allocation hidden, for it serves no purpose to tell people what their service costs when they cannot change it anyway:

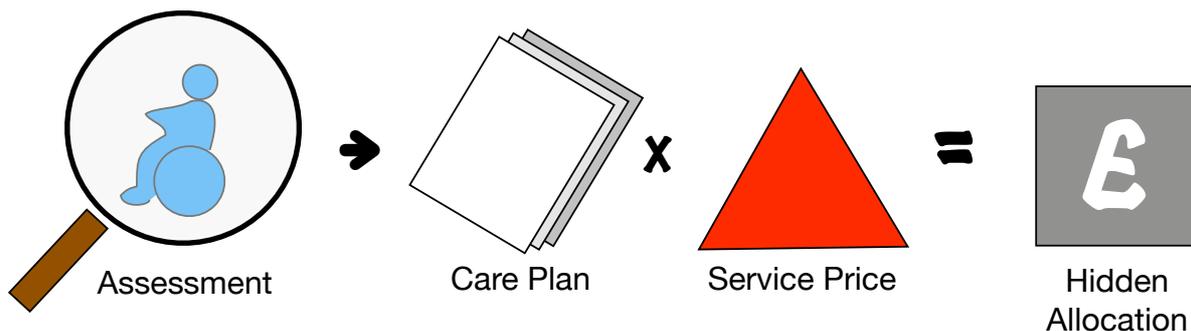


Figure 1 The old allocation system in social care

However, in the new system of Self-Directed Support, people can be told, up-front, what they are entitled to (their Individual Budget) because of the development of a Resource Allocation System (RAS).⁷ The RAS is the key technological innovation at the heart of Self-Directed Support. It is the development of the RAS which makes up-front transparency possible:

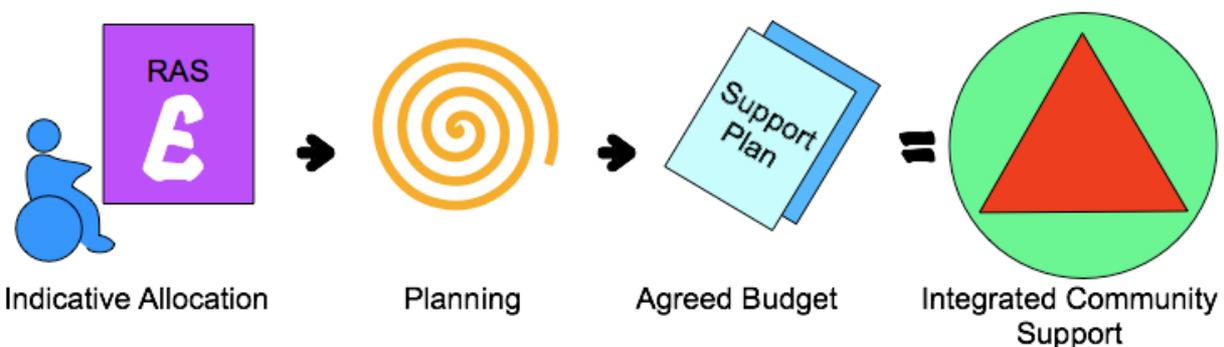


Figure 2 The new allocation system in social care

In practice this means that, after filling in a questionnaire (and it seems to make little difference whether this is done by the individual or by a professional) the individual is then told their indicative budget - the amount that they have to plan with. Using this budget the individual (with support from friends, family or professionals) can determine their own Support Plan. This Support Plan is then reviewed and agreed with the local authority. In a minority of cases changes may be necessary to the plan or the final budget - but largely people work effectively within their budget and sometimes even decide they do not need all the funding allocated in their indicative budget.

The role of the RAS is to replace rationing by the use of professional intuition with a clear set of rules that links level of need to money. This means that not only does the RAS create transparency for the citizen about 'what' they are entitled to, it also creates transparency about 'why' that budget is set. In practice the process of developing the RAS has shown that it is possible to radically simplify the initial part of the assessment process into a limited set of questions, despite the wide range of funding involved (from zero to £60,000 per year and sometimes higher). The current best practice model published by In Control has only 9 key questions and provides a clear ethical framework for setting budgets:

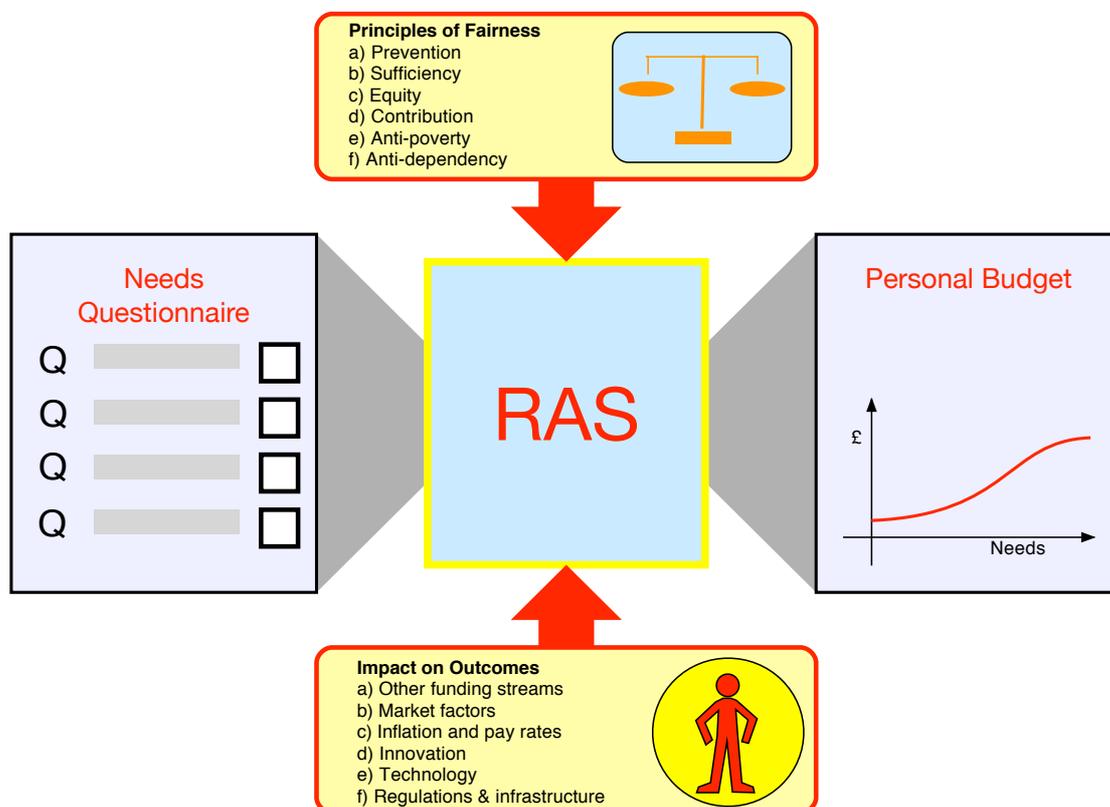


Figure 3 The ethical framework constraining the RAS

Moreover the RAS is further constrained by the empirical data that arises from its own application. This creates the further potential for readjustment and tuning over time and it means that the process actually becomes 'smarter' the more it is used.

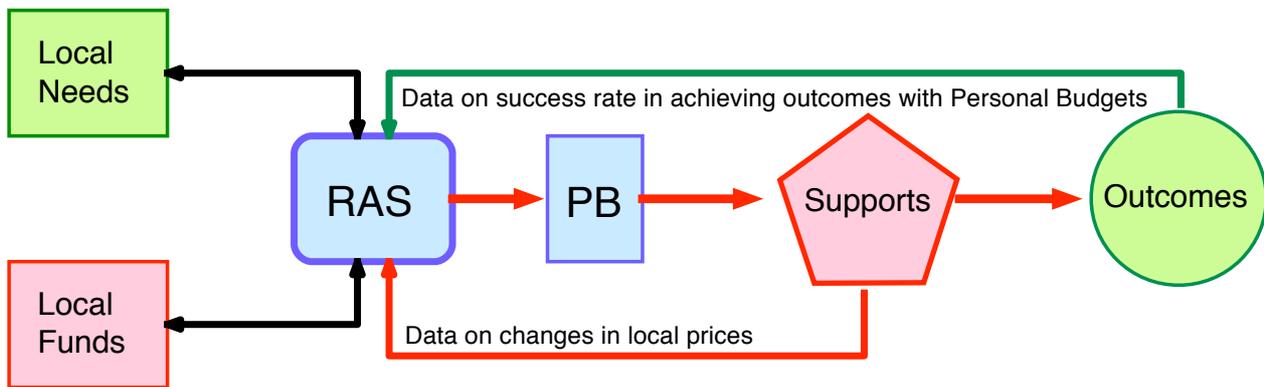


Figure 4 The increasing sensitivity of the RAS over time

The RAS, because it is a set of clear rules, therefore enables:

- People to plan more effectively for themselves
- Professionals to use transparent rules to make rationing decisions⁸
- Society to reflect upon the purpose and effectiveness of its own rationing

Moreover, and this is the critical matter for this essay, there is no reason to think that the underlying logic of this approach is restricted to the social care system. In the remainder of this essay I will set out the benefits of extending Self-Directed Support by four distinct steps.

Step One - To integrate social care funding

When Self-Directed Support came to the attention of policy-makers in late 2004 it was noticed almost immediately that this approach also offered the opportunity to integrate many of the diverse funding streams which are used in social care.⁹ For example, the government's Individual Budget Pilot Programme aimed to demonstrate that the following funding streams could be effectively integrated:

- Local Authority Funding - £19 billion on services for children and adults in England
- Supporting People (SP) - £1.69 billion on housing-related support
- Independent Living Fund (ILF) - £0.22 billion on personal care
- Disabled Facilities Grant (DFG) - £0.121 billion on housing adaptations
- Access to Work (AtW) - £0.06 billion on adaptations in the workplace
- Integrated Community Equipment Service (ICES) - £0.052 billion on equipment

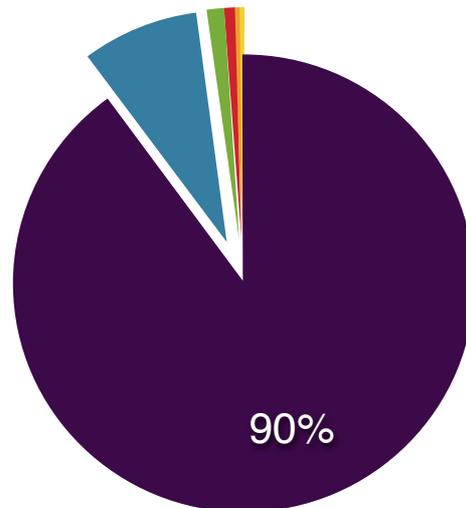


Figure 5 The different funding streams within social care

However there was little success in achieving any meaningful integration between these funding streams, and it is important to understand the reasons for these difficulties, which are bureaucratic, rather than technical or economic:

- Competing legislative and regulatory frameworks - different funding streams were created at different times and are subject to different rules.
- Conflicting vested-interests - the professional and civil servant groups that manage each funding stream have a vested interest in maintaining their distinct identities.
- Limited media and public understanding - any changes in funding, whatever the obvious overall benefits, may lead to one group appearing to be disadvantaged.
- Poor strategic vision - integration involves important choices, in particular over the degree of local control desired, and these decisions must be guided by a coherent strategic vision for welfare reform - that vision is currently absent.

It is therefore not surprising to see calls for integration being deflected into extended periods of 'piloting' and 'research' which quickly, for lack of political will or understanding lose momentum and achieve nothing.¹⁰ Nevertheless a real opportunity exists to bring about effective integration and to shift resources out of multiple and competing administrative systems and into the hands of citizens. At the very least this would cut out the expensive layers of duplicated administration.

Step 2 - To extend Individual Budgets to other services

It has also been widely observed that Self-Directed Support can be extended beyond Social Care. There has already been success in applying these principles into education and health care and some are now beginning to apply the same methodology for people who are homeless or subject to abuse. It is impossible to explore all the issues that this will

raise within the confines of this essay, so instead I will just provide one powerful example where several of these innovations are coming together.

The transition into adulthood for children with special educational needs is infamous as one of the most incoherent, complex and distressing parts of the modern welfare state.¹¹ Yet, finally, in Sheffield, there are signs that this system can be successfully redesigned. Working in partnership Sheffield City Council - along with Talbot Special School, Sheffield Primary Care Trust and the Learning and Skills Council have together designed a totally new process which finally puts the young person and their family at the centre of the planning their own future. Instead of parallel processes, led by diverse professionals, the transition process starts with the presumption that planning for the future is something that the young person does, with their family. The school is now redesigning its whole curriculum and the different statutory bodies are defining the distinct budgets necessary (integrating Individual Budgets for social care, health and further education) and simplifying and clarifying their administrative processes to support this process. Over the last two years this has led to dramatic improvements in satisfaction and the quality of people's lives - as well as enabling the Council to avoid expensive and damaging residential placements outside the City.

The extension of Self-Directed Support and Individual Budgets into other services would create a flexible framework where anyone who needs extra support to overcome their problems - not just money - can receive an identifiable entitlement(s) and can work with professionals and others to use that entitlement to overcome those problems. For an Individual Budget is, as I have argued elsewhere, best understood as a Conditional Resource Entitlement, and as such it is an ideal tool for building a partnership between the and the state to solve those problems where it is not adequate to simply adjust personal income.¹²

Step 3 - To integrate benefits into one system

The third development would be to apply the RAS methodology into the benefit system. There are currently 40 different benefits and 100 different benefit rates.¹³ Yet the final net impact of each of these benefits (after means-testing and the varied exclusions) is to raise personal income by a relatively modest amount and within a very narrow range.¹⁴

Self-Directed Support has demonstrated that the needs of those individuals with the most complex and wide-ranging needs can be captured by a RAS with 9 questions in a way that is sensitive to differences in funding from zero to £60,000 per year. It is therefore not plausible that the same kind of methodology would not be adequate for capturing simpler needs with a narrower range of costs. An integrated system does not mean that everyone would get the same amount - such a system could be as targeted or as universal as necessary.¹⁵ But such a system would still deliver:

- Improved targeting - cutting out overlaps and gaps
- Greater simplicity - being easier to understand and claim
- Reduced bureaucracy - needing less administration

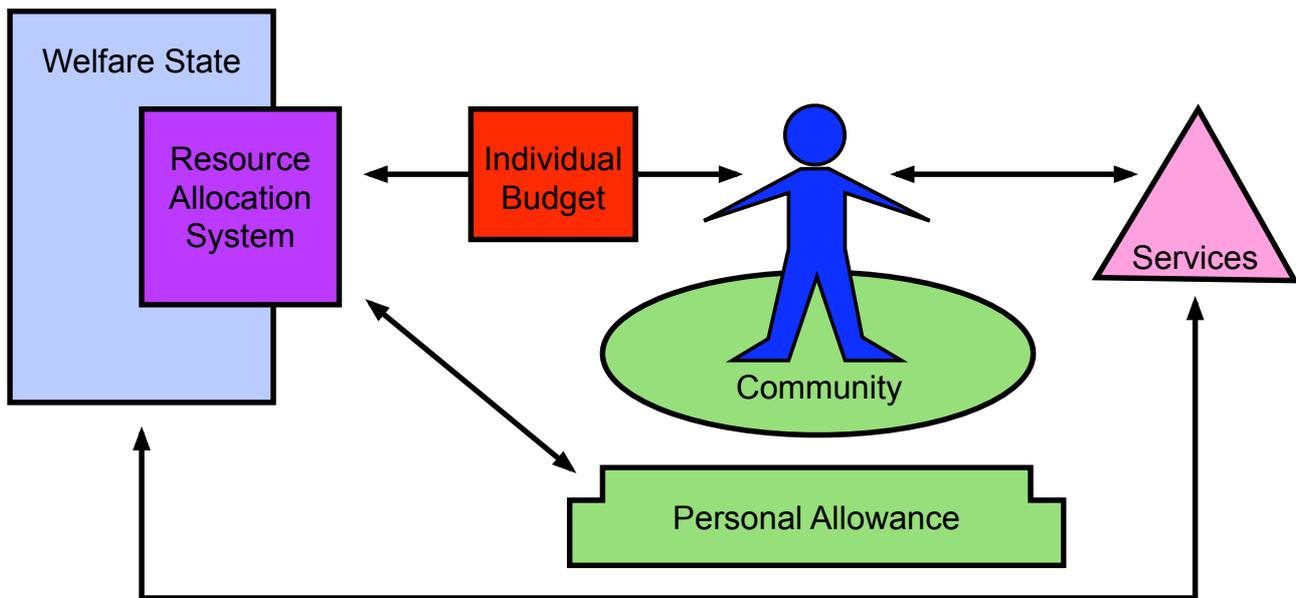


Figure 6 The distinction between Personal Allowances & Individual Budgets

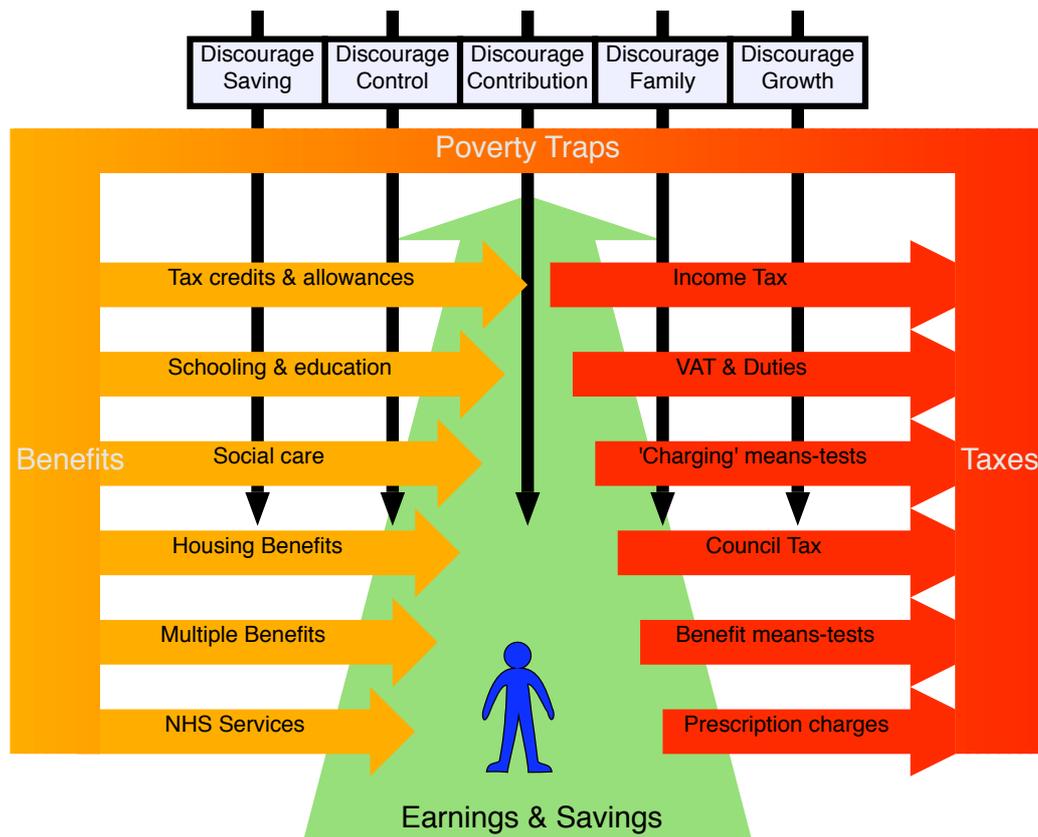
It is worth noting that this is also not an argument for integrating benefits into the system of Individual Budgets. Rather I would argue that we should have two distinct systems: (a) one system of Individual Budgets, which would be properly conditional and delivered as part of a partnership model, and (b) one system of Personal Allowances, which would be properly unconditional and delivered as a direct income adjustment (wholly replacing the current benefits system).

There is also an important debate to be had about when funding should or should not be made conditional. Already some benefits (e.g. housing benefit and job seekers allowance) are already being defined in ways which are increasingly connected to the meeting of specific needs. However it would be dangerous to assume that benefits should always be made more conditional.¹⁶ Instead it may be more practical to integrate as many benefits as possible into one system of Personal Allowances and ensure that such a system is sufficiently sensitive to differing needs.¹⁷

Step 4 - To integrate tax and means-testing

One further innovation, which could be developed from Self-Directed Support, is the integration of means-testing into the RAS. This step has already been taken, in a minor way, by some local authorities who are defining the entitlement and any 'charge' all at the same time.¹⁸ However to locate means-testing for social care within local government does seem peculiar, particularly when we already have much more comprehensive systems of means-testing built into our tax and benefits systems.

In fact we could go further and, by integrating the diverse means-testing systems which are built into the tax, benefit and social care systems we could radically simplify the tax-benefit system.¹⁹ For it is incoherent to build multiple systems of taxation and benefit, systems which thereby become so opaque they are neither understood or be subject to rationally scrutiny or empirical testing.



In effect the welfare state is in danger of functioning as complex 'poverty net' - a mesh of parallel benefits and taxes within which it is almost impossible to assess the benefits of personal or family growth, earning, learning or saving.²⁰ Note that this is not, on its own, an argument for a minimum income guarantee or any other substantive change in the rates of marginal taxation or benefit reduction, however it is an argument that whatever rates of contribution we decide are fair should themselves be transparent.²¹ This is not only because, as citizens, we should want our duty to contribute to be clear. It is also because a transparent system is a system that can actually be tested, challenged and supported. It is the very complexity and opacity of the current system which closes down any real debate on tax and benefit reform. Yet the experience of Self-Directed Support shows that there is no technical reason to hold back from integration and transparency.

Conclusion

Even within adult social care there is a long way to go before these reforms are fully implemented and they are still highly contested.²² However the steps set out above are feasible and they are also measures that could be developed incrementally - phasing the process of integration and extension.

These reforms also offer a tool to bring about the wider cultural reform of the welfare state - building a welfare state that supports citizenship. In particular Self-Directed Support enables us to create a clear framework of rights and responsibilities within which citizens can create their own positive outcomes, using limited resources with increased flexibility and working in partnership with professionals.

The current economic crisis presents yet another opportunity for politicians and policy-makers to act with greater courage and to take the legal, financial and policy challenges of Self-Directed Support seriously.

Notes

- ¹ I would particularly like to thank Geoff Bantock, Graeme Cook, Jon Glasby, John Waters, Julia Winter and for their help in writing this essay. Of course they bear no responsibility for its flaws.
- ² Unusually this new model of service delivery was developed and implemented at the grass-roots level first. Central government interest in these ideas developed at a later stage. The fullest overview of Self-Directed Support is provided in *A Report on In Control's First Phase 2003-2005*, In Control Publications, 2006.
- ³ These different reports and the state of progress are well summarised in *Direct Payments and Personal Budgets: Putting Personalisation into practice* by Jon Glasby and Rosemary Littlechild, Policy Press, 2009. The In Control website hosts a series of reports on outcomes on costs www.in-control.org.uk
- ⁴ See the discussion by Duffy within *A Report on In Control's Second Phase* (Carl Poll & Simon Duffy editors) In Control Publications, 2008.
- ⁵ In particular see Duffy *Economics of Self-Directed Support* and *In Control's Submission to the Independent Living Review* (both available at www.in-control.org.uk). Overall it is worth noting that these reform have not yet had enough time to have substantial market impact at any macro level. All the efficiency improvements have been at a micro-level and these outcome improvements occur both for those who take a cash transfer and for those who do not.
- ⁶ These efficiencies are well described as 'pull economics'. See *From Push to Pull - Emerging Models for Mobilizing Resources* by John Hagel & John Seely Brown (available at www.johnhagel.com).
- ⁷ See Duffy *Individual Budgets: Transforming the Allocation of Resources for Care* (Journal of Integrated Care, February 2005)
- ⁸ This has the further benefit of helping professionals to shift their role into one that is more facilitative and supportive. For they no longer have to behave as the rationer - instead rationing is done by objective rules.
- ⁹ In particular see Cabinet Office *Improving the Life Chances of Disabled People* and DWP *Opportunity Age*. See also J. Waters & S. Duffy *Individual Budget Integration* (www.in-control.org.uk, 2007)
- ¹⁰ See *Evaluation of the Individual Budgets Pilot Programme: Final Report*. It is to be hoped that this will not be the fate of *The Right to Control Pilots* recently launched by the DWP.
- ¹¹ See *'Hurling into a void': Transition to adulthood for young people with complex health and support needs* by Jenny Morris, Pavilion Publishing.
- ¹² See Duffy, Glasby & Waters *Personalisation & Social Care*, Health Service Management Centre
- ¹³ The IFS lists 40 distinct benefits, however many of the benefits listed fragment into further distinct benefits with different rates and different qualifying conditions. A count of the number of distinct benefits rates would take the figure to 100. C O'Dea et al. *A Survey of the UK Benefit System* (IFS, December 2007)
- ¹⁴ Benefit expenditure for 2006-07 was £147 billion, which is £2,430 per head of population or £4,900 per benefit recipient. See *ibid* IFS, 2007
- ¹⁵ Geoff Bantock (HMRC) has already mapped out some interesting structures for doing exactly this.
- ¹⁶ For example the suggestion with the current Green Paper *Shaping the Future of Care Together* that benefits such a Attendance Allowance might be integrated into some new form of social care funding system is fraught with risks. For it will effectively reduce the resources that are directly in the hands of older people. Furthermore, tactically, it would be much wiser for central government to maintain as much income in the benefit system in order to make the process of moving towards a reformed and integrated system easier - giving more resources to ensure that there are fewer 'losers'. If, for example, Attendance Allowance were moved into the hands of local authorities this would not only immediately create 3 million losers it would make it harder reform that system in due course. A wise politician will be very sceptical of any claims from interested parties that such a change will bring any benefits.
- ¹⁷ In fact using the RAS to set Personal Allowances will lead to a debate on the nature of poverty and may push us towards a clearer account of poverty and what it is unacceptable for all citizens to be without.

¹⁸ For example, Hartlepool and Cambridgeshire have both integrated 'charging' into their process for setting an Individual Budget. Note also how confusing the language of 'charging' becomes as we shift towards Individual Budgets - means-testing, charging and taxing (at least for income) are all ways of asking exactly the same fundamental question in different ways.

¹⁹ Taxation for 2008-09 were forecast to generate £545 billion by at least 25 different forms of taxation. S. Adam & J. Browne *A Survey of the UK Tax System* (IFS, April 2009). In addition the benefit system has a range of other means-test linked to different benefits.

²⁰ For example, Mary's disability entitles her to local authority social care funding, this entitlement then means she can claim funding from the ILF (and so the local authority can reduce their input in line with this entitlement). If Mary then goes to work she would also be able to claim Access to Work, which the local authority could also extract from their contribution. However if they were to do so then the ILF would not be obliged to provide its £10,000 contribution - this potential loss creates an enormous poverty trap.

²¹ It is particularly important to see the impact of linkage here as often one benefit may be dependent upon claiming another in such a way that the ability to increase one's income by a modest amount can have a dramatic impact on several different benefits. The linkage problem could be erased by the integration of benefits into one Personal Allowance. NAO, *Dealing with the Complexity of the Benefits System*

²² For example, it is not yet clear whether the legal framework for social care funding and means-testing will be reformed in ways which support the development of Self-Directed Support. See Law Commission *Adult Social Care Scoping Report*, 2008